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RR RUEHBC RUEHDE RUEHKUK RUEHROV
DE RUEHRB #2351/01 3631712
ZNR UUUUU ZZH
R 291712Z DEC 06
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 5484
INFO RUEHEE/ARAB LEAGUE COLLECTIVE
RUEHLO/AMEMBASSY LONDON 3189
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RUEHCL/AMCONSUL CASABLANCA 2510
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UNCLAS SECTION 01 OF 02 RABAT 002351

SIPDIS

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DEPT FOR NEA/MAG AND EB/TRA
USDOC FOR ITA/MAC/ANESA

E.O. 12958: N/A

TAGS: [FAIR](#) [ECON](#) [MO](#)

SUBJECT: MOROCCO-EU OPEN SKY AGREEMENT FEEDS TOURISM BOOM

¶1. (U) Summary: Morocco's booming tourist industry received a boost on December 12 with the signing of a new EU-Morocco open sky agreement. The agreement replaces all existing Moroccan bilateral aviation agreements with European Union (EU) member states and supports the GOM's goal of doubling the number of tourists that visit Morocco each year to 10 million by 2010. In principle, the agreement provides reciprocal, unlimited access between European and Moroccan destinations, but complete ratification among EU members along with Moroccan compliance with regulatory aspects of the agreement may take up to 18 months. End Summary.

More Than Just Open Skies

¶2. (U) The primary objective of the EU-Morocco open sky agreement is to provide reciprocal, unlimited access between Moroccan and European destinations. The first phase, which went into effect with the agreement's signing on December 12, permits direct country-to-country flights, known as third and fourth freedom rights. Fifth freedom rights, which enable airlines to carry passengers to a reciprocal country, and then on to an additional country (rather than back to their own), will commence in the second phase of the agreement, following EU member ratification and Moroccan implementation of relevant EU aviation laws. Abdelouahab Yaalaoui, Director of Civil Aviation and lead Moroccan negotiator for the agreement's regulatory aspects, was non-specific when asked about Morocco's implementation requirements, telling econoff they were operational in nature.

¶3. (SBU) While the new agreement is intended primarily to expand access to the Moroccan tourism sector, it also includes key annexes on safety, air-traffic control, regulatory management, and passenger security. According to Yaalaoui, the agreement requires Morocco to achieve EU safety and regulatory standards that are above and beyond those required by the International Civil Aviation Organization (ICAO). As a result, Yaalaoui said his office was expanding in order to comply with the regulatory requirements of the agreement and to manage the upgrade of Morocco's aviation infrastructure. He said the intent was for civil air traffic to experience a seamless transition in and out of Moroccan airspace, just as if they were transiting between France and Germany. He added that Morocco would expand its air-traffic control capabilities, improve aviation safety, and strengthen passenger screening. He also acknowledged that Morocco cannot afford to compromise air-traffic safety as it strives

to expand tourism.

¶4. (U) Morocco's support for the open sky agreement sprang from its desire to increase tourism. According to the Minister of Transport, Karim Ghellab, tourists comprise two-third's of Morocco's air passengers, which will require Morocco to raise air passenger capacity to approximately 15 million per year if it is to meet its goal of attracting 10 million tourists by 2010. Ghellab explained that without the new agreement, Morocco would have to invest more than USD 3.3 billion to expand Royal Air Maroc's fleet by 60 new planes in the next five years in order to meet the 15 million target.

¶5. (SBU) In the short-term, low-cost carriers may have difficulty expanding their service. In June 2006, EasyJet and Ryanair initiated service to Morocco under previous bi-lateral agreements. Expecting the new EU-Morocco open sky agreement to go into effect at signing, Ryanair (headquartered in Ireland) planned to expand service from Germany and France by taking advantage of the agreements fifth freedom rights. In November, however, Ryanair announced that it was forced to postpone these plans indefinitely due to a ratification issue within the EU. While in principle, the EU-Morocco open sky agreement went into effect at signing, several EU members have voiced the need for national (internal) ratification, a process that could take up to 18 months. Reportedly, French transport officials oppose expanded fifth freedom rights under the new accord until internal EU ratification is complete. Comment: Morocco was the largest French passenger growth market in 2006, up more than 26 percent from 2005. Many observers interpret France's tough stance as an attempt to protect Air France's dominant position in the market. Until the ratification issue is resolved, phase two of the agreement

RABAT 00002351 002 OF 002

and its fifth freedom rights appear on hold. End Comment.

The Agreement Will Support, Not Create Tourism

¶6. (U) While the agreement is intended to expand air service, increase competition, and lower consumer costs, the African Airlines Association (AAA) notes that open sky agreements in themselves are not major tourism development drivers. For example, Tanzania, Mali, Cape Verde, and Ghana have all signed open sky agreements with the U.S. without any positive impact on their tourism industry. Instead, the AAA and UNESCO believe markets must develop consumer demand through product packages.

¶7. (SBU) According to Philippe Queau, Mahgreb Regional Representative for UNESCO, Morocco will need to continue development of its unique historical niche to sustain growth. While Morocco's beach resorts must compete with other popular European destinations, Queau believes that Morocco's future tourism potential lies in the development of its cultural, historical, and architectural features. In a December 21 conversation with econoff, Queau remarked that Morocco's Casbahs, Riyaads, and ancient heritage offer Europeans a unique experience. As part of UNESCO's cultural pillar, Queau said his office was actively engaged in restoring historical buildings in Meknes and Fes in order to make the area more attractive for tourists, thus creating the demand for expanded traffic.

¶8. (SBU) Comment: The EU-Morocco open sky agreement serves notice of Morocco's intent to become a leader in modern air commerce and represents a significant milestone in its goal of doubling the number of tourists that visit each year. Nonetheless, Morocco faces a formidable task ahead in order to achieve European air-traffic control and regulatory standards. The majority of Moroccan airspace remains uncontrolled, with full radar service limited to just a few terminal areas. Furthermore, the office of the Director for

Civil Aviation faces a daunting task as it reinvents itself to become the Moroccan version of the FAA. While full implementation of the agreement's fifth freedom rights is still months, if not years, away, all indicators point to a continued boom for the Moroccan tourism industry. In the meantime, Morocco must continue to seek a balance between developing a tourism industry that attracts increased numbers of European vacationers and preserving the ancient cultural heritage that makes it unique. End Comment.

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